

**OUTLINE OF PREPARED REMARKS BY**

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**JOINT MEETING OF THE  
COMMISSION ON ELECTRIC UTILITY RESTRUCTURING  
VIRGINIA COAL AND ENERGY COMMISSION**

Wednesday, September 8, 2004, 10:00 a.m.  
Senate Room B, General Assembly Building

## ❑ GREETINGS & INTRODUCTION

## ❑ LS POWER OVERVIEW

- Industry leading independent power producer with proven experience in all aspects of power plant development and management
- Sole business objective is to develop, own, operate and manage generation assets in the United States
- Since 1990, successfully developed nine projects representing over 5,700 megawatts of generation capacity and over \$3 billion in capital investment
- Serving as asset manager for five facilities totaling over 4,300 megawatts of capacity
- Several thousands of megawatts of coal-fired generation currently under development throughout the United States

## ❑ SUSSEX COUNTY PROJECT OVERVIEW

- Modern coal-fired electric generation facility equipped with advanced environmental controls
- To be constructed five miles northwest of Waverly in Sussex County, Virginia
- Generation capacity of up to 800 megawatts
- Represents an approximately \$800 million investment in Southside Virginia
- Opportunity to burn up to 2 million tons of Virginia coal per year
- Job creation across the Commonwealth
  - 100-125 permanent operation and maintenance jobs at the power plant
  - Creation and retention of hundreds of coal mining jobs in the coalfield region of Virginia

- 20-30 full-time rail jobs in Virginia to transport coal from the coalfields to Sussex County
  - Employment of hundreds of construction workers with a peak workforce estimated at 1,200 to construct the power plant in Sussex County
- Favorable Site Location
  - Strong community support
  - Located in close proximity to major electric load centers in Virginia
  - Strong local infrastructure
  - Located in industrial area
- SUSSEX COUNTY PROJECT STATUS
  - Real estate rights secured
  - Zoning approvals in place
  - Electrical interconnection studies completed by Dominion
  - Negotiating interconnection agreement with Dominion
  - Secure regulatory permits/approvals – 2005
  - Tentative start of construction – 2006
  - Tentative start of operations – 2010
- OVERVIEW OF §56-585(G) – GENERATION PLANT FOR DEFAULT SERVICE OBLIGATIONS
  - Stated Purpose of Legislation
    - Ensure a reliable and adequate supply of electricity to meet native load and default service obligations

- Promote economic development in the Commonwealth
- LS Power supports the stated purpose of the legislation and commends the legislature for taking a proactive approach in ensuring the Commonwealth's future energy needs will be met with resources that provide economic benefits to the Commonwealth
- Overview of Legislation
  - An investor-owned distributor that has been designated a default service provider may petition the State Corporation Commission for approval to construct, or cause to be constructed a coal-fired generation facility that utilizes Virginia coal and is located in the coalfield region of the Commonwealth to meet its native load and default service obligations
  - The distributor shall have the right to recover the cost of the facility plus a fair rate of return through its rates for default service
- Importance of Legislation to Investor-owned Distributors
  - Sets forth that the investor-owned default service provider shall have the right to recover the costs of the facility plus a fair rate of return => this is of particular importance since electric rates are capped as Virginia moves to a deregulated electric market
  - Predisposes the State Corporation Commission to determine that a facility that meets the requirements of this statute is in the public interest
- LS POWER'S PROPOSAL
  - Legislation paralleling the language of §56-585(G) be approved for a second coal-fired generation facility that would utilize Virginia coal and be located in Southside Virginia
- BENEFITS OF LS POWER'S PROPOSAL

- Potential for an additional low cost, reliable source of electricity to meet Virginia's energy demand in the deregulated market
- Has statewide economic benefits and particularly helps two economically distressed regions: Southside Virginia and the Coalfield Region
- Increases electric reliability by encouraging a new generation source close to major electric load centers in eastern Virginia
- Additional opportunity to encourage independent power producer participation in the Virginia electric market

□ THANK YOU